Think Big, Start Small

The Guide to Personalization for Restaurants

Table of Contents

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Imagine this: a customer pulls into a drive-thru at their favorite restaurant, craving a snack. Something salty, like french fries, or maybe a little more portable—a milkshake? They've only got a few minutes to decide before the car behind them honks, pressuring them to make an impulsive decision. Wouldn't it be nice if the menu board already knew what the customer wanted?

While the restaurant industry has undergone a significant digital transformation in recent years, standardizing advanced online and mobile ordering, it still hasn't attained the same high level of personalization that consumers have grown increasingly accustomed to from services like Netflix, Spotify, and Amazon.

Despite its promise, misconceptions around personalization's implementation and available use cases have left many organizations in the space feeling too overwhelmed to get started with the practice. This comprehensive guide is meant to demystify personalization so that restaurants can kickstart their journey in delivering seamless, tailored, and empathetic experiences across all channels, which will reap the transformative rewards of long-term customer loyalty.

Personalization's Status in the Restaurant Industry

What is personalization?

If you're a regular at your neighborhood coffee shop, you've probably been greeted by your friendly barista who knows what you'd like— before you even open your mouth to order. Personalization digitally translates this experience, taking stated preferences, loyalty status, number of orders, and more to tailor offers, content, or product recommendations. So a personalized experience might look like your favorite coffee shop recommending a new iced drink on its mobile app—one that's not too sweet, since that's your preference—just like your favorite barista would.

But personalization is not limited to loyal and frequent customers, who only make up ~10% of restaurant guests. Just because you can't identify a customer doesn't mean you can't tailor their experience by leveraging information that is available. Personalizing for new or unknown guests using helpful contextual factors (location, product popularity, current inventory, time of day, weather conditions, existing order items, etc.) can help you attain personalization for 100% of customers.

Restaurants can achieve this level of personalization through various use cases as well as across key channels and touchpoints. For example, personalization might look like tailoring push notifications to loyal customers with relevant offers based on their current points balance, adapting the drive-thru menu to eliminate any temporarily out-of-stock items, or dynamically adjusting email recommendations and offers for those with specific dietary restrictions. We'll explore more examples of how personalization is ushering in a new era of customer-centricity and engagement later in this guide.

Common misconceptions about personalization

Many believe there is limited scope regarding what's possible with personalization, while others may misjudge what is needed to launch a successful program. However, you may find that you have more resources and whitespace than you think. Here, we dive into three common misconceptions that may be holding teams back, which are particularly prevalent in the restaurant industry.

Misconception #1:
Personalization for restaurants is no different than any other industry

Some restaurants have been quick to try and translate the success eCommerce companies have seen with personalization, focusing on metrics like cart abandonment rate, click-through rate, or take-rate. However, these metrics don't tell restaurants much about their business results and incremental revenue. Restaurants must see themselves as a unique vertical with an exclusive set of consumer behaviors and expectations for personalization. For example, in-restaurant channels don't really deal with cart abandonment: How many times have you walked into a coffee shop with the intent to buy a coffee and left without one? Therefore, in the same vein, click-through rate or take-rate doesn't matter as much either. If a burger restaurant recommended french fries at lunchtime via its app, they'd likely have a high take-rate, but not a significant uplift in incremental revenue, as most people are likely to purchase this as a part of their food order anyways. Optimizing for take-rate may negatively impact the business, causing them to miss opportunities to forge loyal relationships through greater relevancy.

Misconception #2:
Personalization is only for known customers

Many restaurants think personalization is only for known, identified, and loyalty customers. Laser focused on integrating a customer data platform (CDP) in hopes of ensuring the most comprehensive dataset from which to tailor experiences for these customers, restaurants don't realize the perfect tech stack isn't necessary to get started with personalization. In fact, restaurants create an unparalleled volume of data each day from unknown users (especially from in-store channels), which can be used to enrich their dataset and establish foundational personalization for all guests by incorporating contextual factors into their touchpoints. As mentioned previously, consider location and weather, restaurant item availability and popularity, time of day, and existing order items.

Given the digitization of almost every customer interaction across the restaurant experience, restaurants can use all available data to optimize 100% of transactions.

Misconception #3:
Personalization is only for websites and apps

While websites and mobile apps provide an interactive user experience, they're not the only channels that can be personalized for all users. Outdoor menu boards and in-store kiosks can also be tailored using channel-specific practices, goals, and KPIs to unlock opportunities across the customer journey. For example, drive-thru menu assortments can be personalized with known user preferences (vegetarian, coffee lover, breakfast buyer), as well as contextual data like the different times of day, the weather, and even the most relevant items at the store level to be more accurate in their delivery and product management. For example, if data shows that cheeseburgers sell well around dinnertime at a specific store, the menu board should reflect that and leverage suggestive selling to recommend complementary items, like a side or dessert, not a second cheeseburger. Similarly, a restaurant wouldn't want to highlight a hot drink in the heat of the summer, or soft-serve ice cream if the machine was down—all important factors that are considered with the right business rules and decisioning engine.

Personalization's opportunity and power

Today, customers expect nothing less than tailored experiences, regardless of the brands they engage with or which industry they operate in—restaurants included. Customers also have access to reviews, ratings, menus, and other key information with a single click, and prefer to place orders over the web, app, or kiosk rather than via phone or face-to-face with a cashier.

Personalization enables teams to not only provide greater value from the first moment of interaction with a brand, but also ensures that same value is received with the customer's preferred channel in mind. This puts restaurants at a critical juncture, tasking teams with better operationalizing around personalization to meet demand, protect and improve revenue, and foster loyalty.

The key lies in understanding their data, customers (unknown, known, loyalty), and strategic use cases for activation.

The opportunity

Below, we'll explore the contextual factors restaurants can use in their touchpoints to make the most of key opportunities for all visitors.
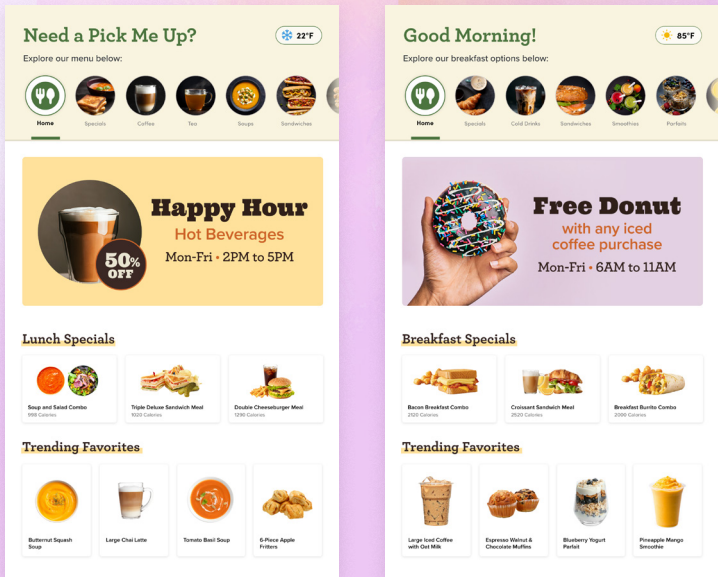
Restaurant Location

A restaurant's location has identity-like traits that should be integrated into personalization decision-making. For example, a restaurant in an urban city will have stark differences in order patterns, volume, and preferred menu items in comparison to a rural-based restaurant.

On a larger geographic scale, the cultural differences between regions, states, and cities have a significant impact on menu item preferences and buying habits.

Restaurants can use contextual data like location or time of day to serve more relevant experiences to customers. For example, an offer for hot coffee or tea would more likely hit the spot for a bundled-up Minnesotan, whereas a sunburned Californian would engage with recommendations for a refreshing frozen drink.

By leveraging location, a restaurant can highlight its best-selling or trending items while deprioritizing those with lower demand to deliver a restaurant-aware experience. Like a restaurant's location-based data, the weather forecast can also influence the moods, needs, and purchase intentions of consumers. This is when weather-based targeting helps to prioritize more climate-appropriate choices.

Product popularity and current inventory

Different products tend to become popular in different places, and the guest experience should reflect the current trends across regular menu items. Restaurants can use these trends to not only optimize local, limited-time offers for guests, but also save money for the business by not slashing prices or blanket promoting the same offer across locations.

It's also important to only recommend available products at a specific restaurant, avoiding potentially negative customer experiences before they have a chance to happen. This can optimize order fulfillment given that it takes time for guests to decide on the next best option after learning an item is unavailable.

Time of day

There's a clear distinction between different day-parts and the experience your guests expect when they visit your restaurant at 8 a.m. vs 1 p.m. for lunch. While you'd likely want to recommend coffee and pastries during breakfast, a chicken sandwich is usually a better option during lunch.

Restaurants can use personalization to optimize their menu display by the time of day and update their recommendation strategies and featured products as well.

For example, items might be offered all day (e.g., coffee) but sell better during breakfast hours than at any other time. Highlight these products during peak times, then swap for higher-performing items later in the day. You might consider setting KPIs and business rules for the breakfast menu that differ from the lunch or dinner menu for more accurate product recommendations.

Existing order items

Regardless of a customer's identity, the existing products in their basket can tell you a lot about what other products they might be interested in, their preferences, and the propensity to add other items to the order.
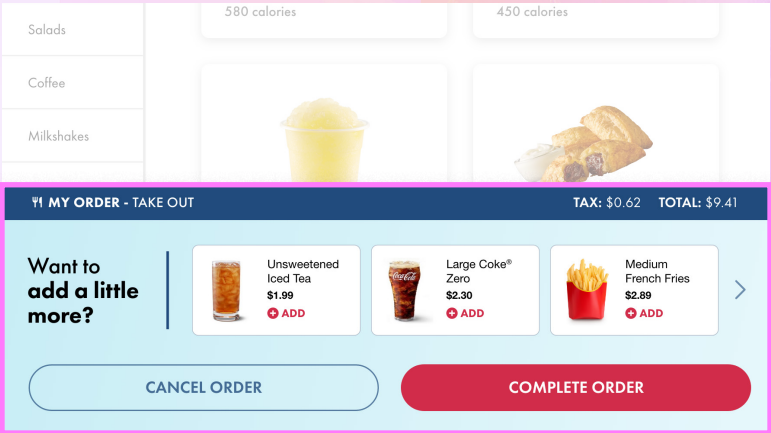
Restaurants can use pop-ups on digital ordering experiences on web, app, and in-store kiosks to dynamically recommend menu items, like sides or drinks, based on the in-cart items. For example, with a sandwich and a side already in the cart, a cold drink might be the perfect way to round out the order.

With limited real estate to deliver these recommendations on digital ordering experiences, you want to make sure the items you put forward are the best options for that specific order. It's important to consider which items are reasonable recommendations for the situation. For example, a customer who just ordered a full meal is likely not interested in another meal, which is an important nuance that only personalization technology for restaurants is designed to address.

It makes sense in this scenario to leverage suggestive selling and recommend popular or complementary items throughout the order process as well as before checkout to improve the overall experience and increase check size with an unexpected but welcome last-minute addition to their order.

Personalization for known guests

Guests who frequent your restaurants and willingly share their information or are members of your loyalty program expect all the forms of personalization mentioned above—and more. This small but powerful number of identified guests reflect the deepest personalization opportunities based on information such as:

- Purchase history from all selling channels (including mobile app, web, and in-store kiosk)
- Customer data from loyalty programs
- Engagement across digital channels like email or SMS
- Dietary restrictions or preferences

These factors can be further augmented with all the contextual criteria previously described to provide even more relevant experiences.

The power

Relationships are the true equalizer for restaurants because people naturally seek out brands that know who they are and what they like. Because of this, many organizations have invested in their loyalty programs and CRM marketing efforts, looking to understand customer behavior and make more informed decisions that boost overall business performance. However, these loyalty programs aren't working, as most teams don't use this information to segment or tailor campaigns in a meaningful, sophisticated way.

Personalization represents the last mile in loyalty, helping generate value for these programs by actioning existing data and combining it with insights from unknown transactions (90%+ of guests)— mastering context, perception, and expectation.

How Restaurants Can Capitalize on Personalization's Value

In this section, we'll explore how restaurants can capitalize on pivotal opportunities for personalization across their main channels:

- **Online** (mobile app, mobile web, and desktop personalization)
- **In-store** (digital menus, drive-thru, and kiosk personalization)
- **Messaging** (email, push notifications, and SMS personalization)

Online (mobile app, mobile web, and desktop personalization)

Restaurants can prioritize online channels and use the rich data collected to further enhance the customer experience for these users in the following ways:

Influence real-time ordering with personalized recommendations

Mobile apps are a major driver of loyalty members, and restaurants can use loyalty program data to personalize promotions, messages, and menu recommendations based on purchase history and dietary preferences. Additionally, online channels beyond the app and including web instances can offer personalized recommendations to unknown customers using location-specific data. For instance, they can use dynamic banners to promote trending items or showcase products tailored to the location's context, such as ice cream on a hot summer day or on-the-go snacks for locations near highways.
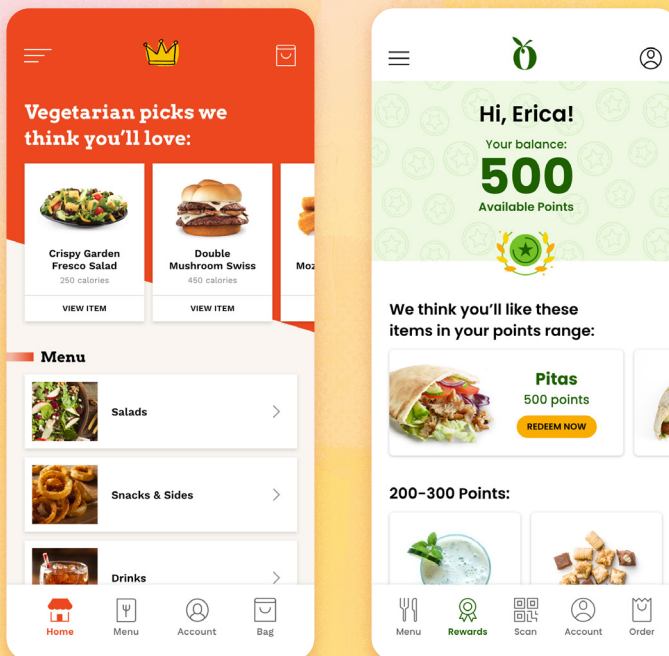
Mobile apps can deliver tailored restaurant experiences based on contextual data, like location, weather and time of day, and existing data points specific to the individual user, like dietary preferences and past purchases, for deeper personalization.

Drive loyalty with fresher food during pick-up or delivery

Time is a crucial factor in the customer's food experience, as certain meals are best enjoyed fresh. Restaurants can adjust their menus dynamically based on the chosen order fulfillment method, excluding items that don't travel well for delivery orders (such as not offering ice cream that will turn into soup by the time it arrives).

They can also use personalization to highlight in-store dining options and special product availability to encourage store visits and pick-up.

Maximize business profits with optimized order timing

It's a bad experience all around when a customer decides to order online for pick up—and then still must wait for their food when they arrive in the store. Or even worse: When an early fired order sits on the pickup shelf for too long and must be remade for the customer.

Restaurants can use personalization technology to strengthen their order timing workflows, for instance, using location data to prompt order preparation when customers are approaching the restaurant.

An entirely personalized approach

With the right operating system, these personalization strategies can be deployed simultaneously across online channels. For example, let's say a vegetarian user opens a mobile app around lunchtime on a hot summer day. Not only will they find their homepage populated with veg-friendly lunch options, but they'll also find cold soft drinks highlighted.

Upon selecting in-store pick-up, the app also displays an ice cream recommendation previously withheld due to delivery constraints. Using location-specific data, the app provides an accurate estimate of when the customer can expect the order to be ready and waiting for them, so their food is fresh for their arrival.

In-store (digital menu boards, drive-thru, and kiosk personalization)

Restaurants have adopted digital menu boards and kiosks, with some restaurants even choosing to move the ordering process to a completely self-serve experience. This increase in adoption means there are many growing opportunities for in-restaurant or drive-thru personalization:

Maximize business profits with a quicker ordering experience

When customers come to quick service restaurants, they want exactly that: Quick service. Just as restaurants can change their online ordering menus to account for a fresher food experience, they can dynamically alter their in-store and drive-thru kiosks to help with business KPIs. By eliminating items that are not relevant for the time of day or optimal for the chosen experience (e.g., family-sized meals and accouterments for dine-in or foods with longer prep times for drive-thru), restaurants can present a streamlined menu display that helps customers complete orders nearly 10% faster and reduces wait times.

Influence real-time ordering behavior with upsell and cross-sell opportunities

In-and-out service shouldn't have to come at the expense of opportunities to increase the average check size, either. Rather than tellers relying on scripted offer recommendations, restaurants can use dynamic menus and kiosks to instantly highlight the most relevant products or leverage suggestive selling to complement a customer's current cart—simultaneously on the same screen.
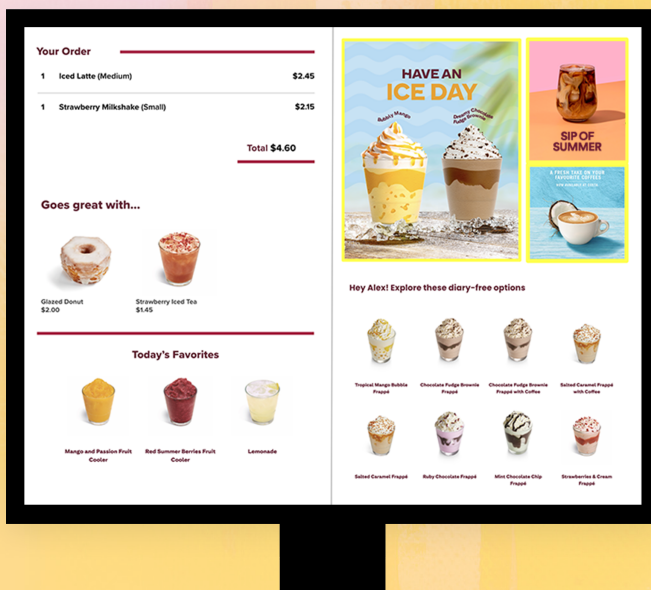
Use digital menu boards and kiosks to go beyond, "do you want fries with that?" and recommend more relevant items based on a customer's existing order as well as contextual factors like seasonality or product popularity.

Drive loyalty by converting anonymous visitors to known customers

Many customers may prefer to be greeted with a simple "Hello" rather than an inquisition for member loyalty status. Using digital signage via the menu or ordering kiosks can help bolster the customer experience by simultaneously prompting loyalty members to input their information without disrupting the person-to-person interaction.

Additionally, for those who haven't already opted into a loyalty program, restaurants can use these customer touchpoints to highlight loyalty points for each item or transaction that could be redeemed upon sign-up, or offer a special deal in real-time to those who download the app. As restaurants invest more in their loyalty programs, these initial touchpoints provide more opportunities for easy program growth.

# Messaging (email, push notifications, and SMS personalization)

Once a visitor becomes a known customer, additional personalization is possible through messaging channels like email, push notifications, and SMS marketing. Unlike in-store or online channels that are responsive and dependent on the customer's activity or presence, messaging channels let restaurants be more proactive and initiate conversations directly. In fact, email is still king in terms of driving incremental visits for restaurants.

Like online channels, a foundation for personalized messaging can be built from available contextual data, with content augmented using loyalty program data, purchase history, dietary preferences, and overall level or frequency of engagement.

Maximize business profits by winning back lapsed customers

Sometimes a customer just needs a reminder that they haven't visited a location in a while. Restaurants can leverage push notifications, SMS messages, or emails with personalized offers to re-engage lapsing customers who haven't engaged in-store for a defined period (e.g., 30, 60, 90 days).
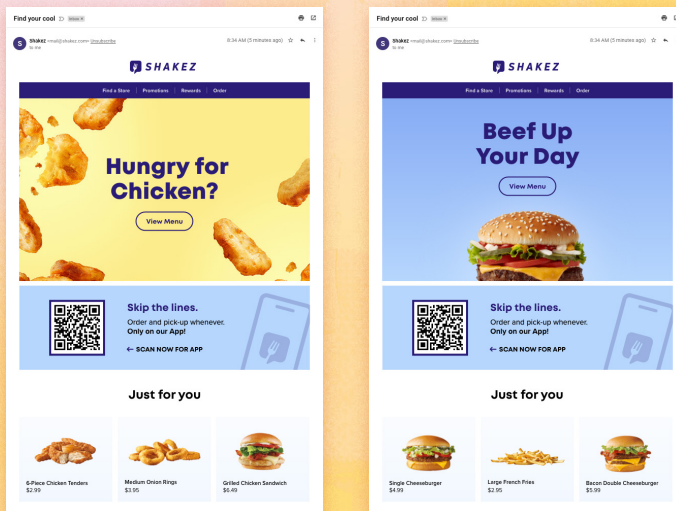
Emails like the one above can entice and encourage customers with seasonal favorites, limited-time offers, and general benefits of ordering with the app.

Influence real-time ordering by keeping customers in the loop on important updates

Personalized push notifications, SMS messages, and emails can also be used to provide up-to-the-minute updates about a customer's current pick-up or delivery order status, limited-time deals and menu items, or location-specific promotions. For example, imagine you have customers attending a major event like New York City's Thanksgiving Day parade, and it's cold out there. You can send a push notification to loyalty program members who have opted into geolocation offers and share a limited-time deal for a free hot chocolate within a certain radius of the event.

Or let's say you have a customer who orders the same meal once a week around the same time: You can send an email or push notification to that customer, reminding them to place their standard order (or even provide a personalized discount if they choose to order again in the same week).

Drive loyalty with personalized messages and offers

While many brands already incorporate birthday treats and check-in status rewards into their loyalty programs, restaurants can save money by avoiding blanket promotions and instead deliver personalized messages and offers that seamlessly integrate with a user's lifestyle. For example, rather than offering a free $5 reward on a customer's next visit, you can trigger a push notification, SMS, or email that offers a complimentary menu item after they've purchased a certain quantity of that item.

Brands can even apply the same logic but for menu types, (i.e., those who buy a certain number of vegetarian items in a row are served an email campaign with vegetarian messaging.) This personalization doesn't have to be limited to offers either—thresholds for certain order-types can trigger different experiences as well. For example, if a customer orders a string of kid's items, messaging can be triggered once new kid-friendly meals or promotions are deployed.

Optimizing each channel and experience for maximum results with A/B testing and advanced deep learning

Deep learning-based recommendations are quickly becoming the standard across industries for predicting the next best series of products, including within restaurants. These algorithms can be trained to understand specific nuances only found in the restaurant industry.

Advanced personalization technology purpose-built for restaurants will review every check that a product was included in to understand its impact against various KPIs (e.g. check size, revenue, etc.) as well as across channels, allowing teams to set a realistic baseline for performance and further optimize the recommendation model's predictions based on seen and unseen data.

Further, A/B testing capabilities through the same technology can be seamlessly executed to ensure the most relevant campaigns are launched for a given audience or KPI, whether product recommendations, dynamic menus, or push notifications.

Think big, start small

Across industries, customers experience a brand in one way—they don't see it as "online" or "in-store." Therefore, restaurant teams must not only take full advantage of each channel's unique features with personalization but also use them to inform subsequent experiences on other channels.

Harnessing the full power of this cross-channel data (on top of what's already been discussed), restaurants can deliver a truly cohesive, omnichannel customer journey. One where a user's drive-thru order impacts the experience, content, and messaging they see the next time they open the mobile app and vice versa, or a personalized push notification or email is triggered based on a period of inactivity, complete with a relevant offer to re-engage.

Personalization per channel builds capabilities for omnichannel experiences to ensure cohesion across the entire customer journey.

The opportunity for restaurants is huge, but it all starts with one use case, one channel, and one investment. As previously stated, most restaurants have incorporated digital signage into their businesses— and you don't need much more than that to start with personalization.

Personalization technology built for restaurants

Transform static channels and touchpoints into fully personalized experiences that increase order value and drive loyalty.

Request a demo $\longrightarrow$